

EXHIBIT K



FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US.
FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY.
SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

AllianzGI US Structured Alpha Presentation to SDNY US Attorney

March 1, 2022

SULLIVAN & CROMWELL LLP

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

III

SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor

IV

A DPA Is The Right Path Forward

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

Allianz Group

- Provides insurance and investment products to more than **100 million** customers
- **More than 1,000** subsidiaries in **70+** countries
 - Includes AGI US, PIMCO and Allianz Life of America
- **~150,000** employees



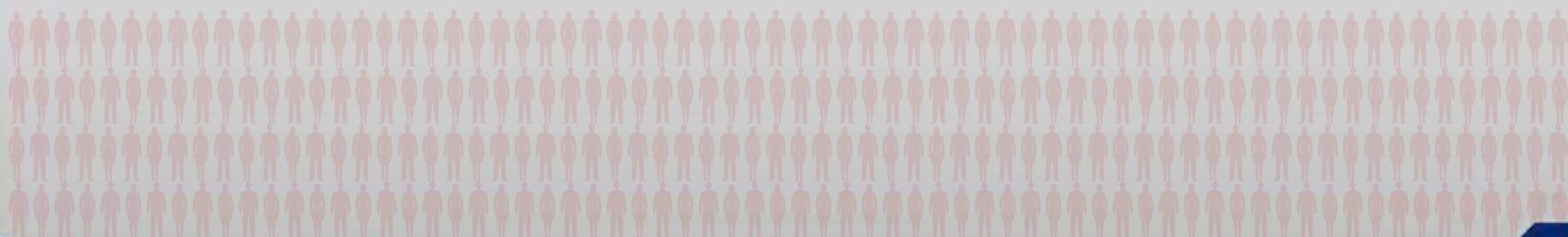
<https://www.allianz.com/en/about-us/who-we-are/company-structure-holdings.html>

https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/about-us/hr-fact-book/HRFactbook_E_210325.pdf

AGI US And Its Direct Affiliates

348 employees in 4 US offices

- **186 - AGI US**
- **132 - AGI US Holdings LLC** - perform certain control functions for AGI US
- **18 - AGI Distributors** - distribute AGI US products
- **12 - Allianz Capital Partners** - rely on AGI US Holdings to provide corporate services



AGI US's Current Offerings Are Traditional, Lower Risk Strategies

Multi-Asset Investment



US Income & Growth



Fixed Income



Private Markets



Equities



AGI US Currently Manages \$120 Billion In Third-Party Assets

\$42 B



\$42 billion managed and distributed in the U.S.

\$78 B



\$78 billion managed in the U.S. but distributed in Asia and Europe

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

AGI US Is A Registered Investment Adviser



Allianz Global Investors U.S. LLC is registered with the **U.S. Securities and Exchange Commission as an investment adviser** and is also registered with the CFTC and NFA as a commodity trading advisor and commodity pool operator.

Case 1:22-cr-00276-LTS Document 55-11 Filed 01/30/23 Page 12 of 115

Investment Advisers Convicted Of Crimes Cannot Advise Mutual Funds And Closed-End Funds



Under Section 9(a) of the 1940 Act, a **criminal conviction automatically disqualifies** an investment adviser for **ten years** from acting as:

- i. an investment adviser to any mutual fund or closed-end fund; or
- ii. a principal underwriter for any mutual fund or closed-end fund

15 U.S.C. § 80a-9(a)(1), (2), (3).

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US, FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY, SUBJECT TO FRE 408 AND STATE LAW ANALOGUES.

Investment Advisers Must Be Qualified Professional Asset Managers To Advise ERISA Plans

Under ERISA, a guilty plea by an investment adviser would result in the automatic loss of its QPAM status and disqualify it from advising ERISA plans.



PTE 84-14

Availability of QPAM exemption conditioned on:

“(g) **Neither the QPAM nor any affiliate thereof** (as defined in section VI(d)), nor any owner, direct or indirect, of a 5 percent or more interest in the QPAM is a person **who within the 10 years immediately preceding** the transaction **has been either convicted** or released from imprisonment, whichever is later, **as a result of: Any felony** involving abuse or misuse of such person’s employee benefit plan position or employment, or position or employment with a labor organization; any felony **arising out of the conduct of the business of a broker, dealer, investment adviser ...”**

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

A Guilty Plea Will Disqualify AGI US Under Section 9(a) Of The Investment Company Act Of 1940



**SEC Investment Management Division
has told AGI US that it **will not receive
a 9(c) waiver** if it pleads guilty**

**As a result of a guilty plea, AGI US would be
disqualified from managing \$111 billion of its
\$120 billion in third-party assets under
management.**

A Guilty Plea Will Disqualify AGI US From Relying On The QPAM Exemption To Manage ERISA Funds



The Department of Labor has advised AGI US that it **will not grant AGI US a QPAM exemption** if it pleads guilty

As a result of a guilty plea, AGI US would be disqualified under ERISA from managing approximately \$2 billion in third-party assets.

AGI US Explored Multiple Scenarios, But None Avoided The Corporate Death Penalty Of A Guilty Plea

1 Guilty Plea By Another Allianz Entity

2 Guilty Plea By A Structured Alpha Fund

3 Guilty Plea By NewCo

4 Transfer Of AGI US's Assets To Affiliate

5 Sale Of AGI US's Assets To Third-Party

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

SDNY Practice Has Long Been To Resolve Cases Involving Investment Advisers Without Entity-Level Charge

	SEC Individual Charges	SEC Entity- Level Fraud Charges	SDNY Individual Charges	SDNY Entity- Level Charge
FF Fund Management	✓	✓	✓	
International Investment Group	✓	✓	✓	
Premium Point Investments	✓	✓	✓	
Deerfield Management Company	✓	✓	✓	
Sentinel Growth Fund Management	✓	✓	✓	
Morgan Stanley Smith Barney	✓	✓	✓	
Weston Capital Asset Management	✓	✓	✓	
Visium Asset Management	✓	✓	✓	
Artis Capital Management	✓	✓	✓	

SDNY Has Charged Only One Investment Adviser – SAC – Which, Unlike AGI US, Did Not Advise Retail Mutual Funds

S|A|C *Capital Advisors, LLC*

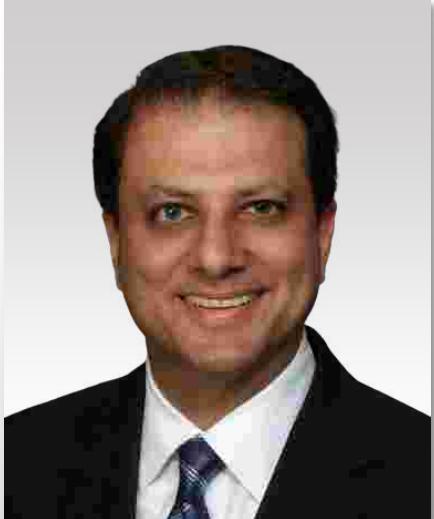
- “[A] fund that was **riddled with criminal conduct** . . . this Office has successfully **convicted eight SAC employees** of insider trading.”
- “[I]nsider trading offenses . . . **made possible by institutional practices** that encouraged the widespread solicitation and use of illegal inside information.”
- “[T]he **SAC Owner** and SAC Companies **cultivated an environment that emphasized not discussing Inside Information** openly rather than not seeking or trading on it in the first place.”

“[W]hen so much criminal conduct takes place within one institution, it is appropriate to **impose criminal liability on the institution itself.”**

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-insider-trading-4>; Indictment, United States v. S.A.C. Cap. Advisors, L.P. et al., No. 1:13-cr-00541-LTS (S.D.N.Y. July 23, 2013).

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SAC “Death Penalty” Was An Intended Consequence Of The Guilty Plea



Preet Bharara

*Former US Attorney
for the Southern
District of New York*

Letter to Judge Swain & Judge Sullivan,
November 4, 2013

“[SAC] also will be required to **terminate [its] investment** **advisory businesses** In short the **penalties** . . . are steep but fair, and are **commensurate** with the **breadth and duration** of the charged criminal conduct.”

I

A Guilty Plea Is A Death Penalty For A Registered Investment Adviser

1. AGI US Overview
2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser
3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences
4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds
5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers

Requiring A Guilty Plea By AGI US Would Create A Strict Liability Precedent For Investment Advisers

Requiring an entity-level guilty plea for criminal conduct within an investment adviser could **shutter multi-trillion-dollar asset management businesses.**

Entity	AUM of Asset Management Business (Trillion)
BlackRock	~\$8.6
Vanguard	~\$7.2
Fidelity INVESTMENTS	~\$3.7
STATE STREET	~\$3.4
CAPITAL GROUP	~\$2.3
JPMORGAN CHASE & CO.	~\$2.3
PIMCO	~\$2.1
BNY MELLON	~\$2.1
Amundi ASSET MANAGEMENT	~\$2.1
Goldman Sachs	~\$1.9

AUM figures as of Dec. 31, 2020 from Investment & Pensions Europe (June 2021) (reported in Euros).

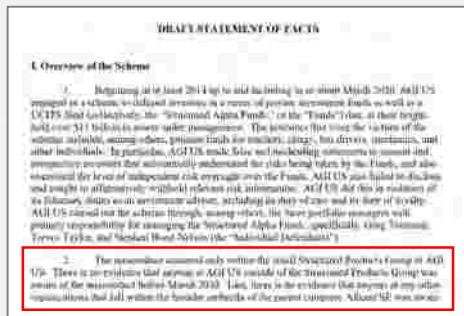
FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

The Misconduct Was Committed By Only A Small Group of Rogue Employees

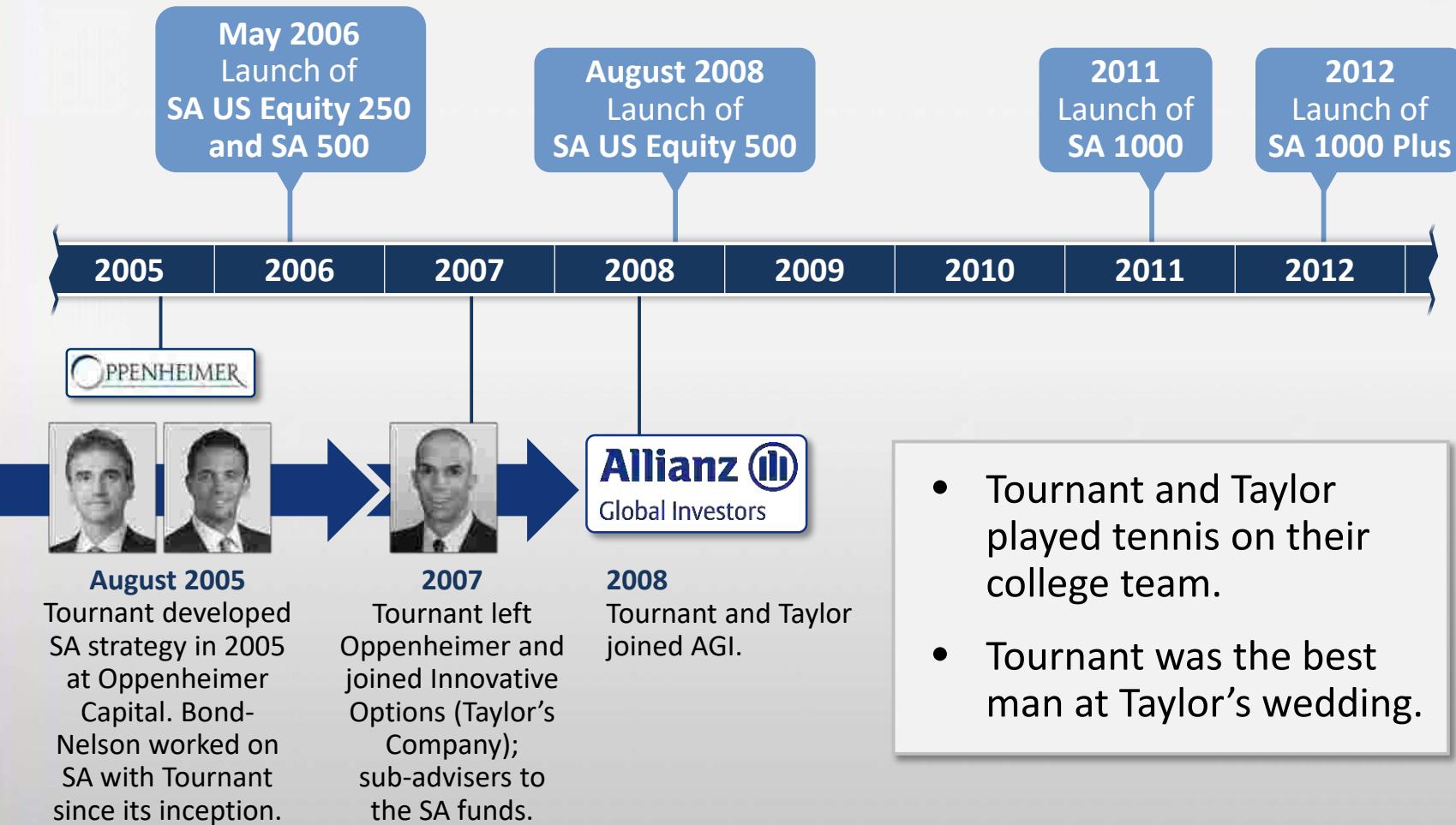


Draft Statement Of Facts, February 24, 2022

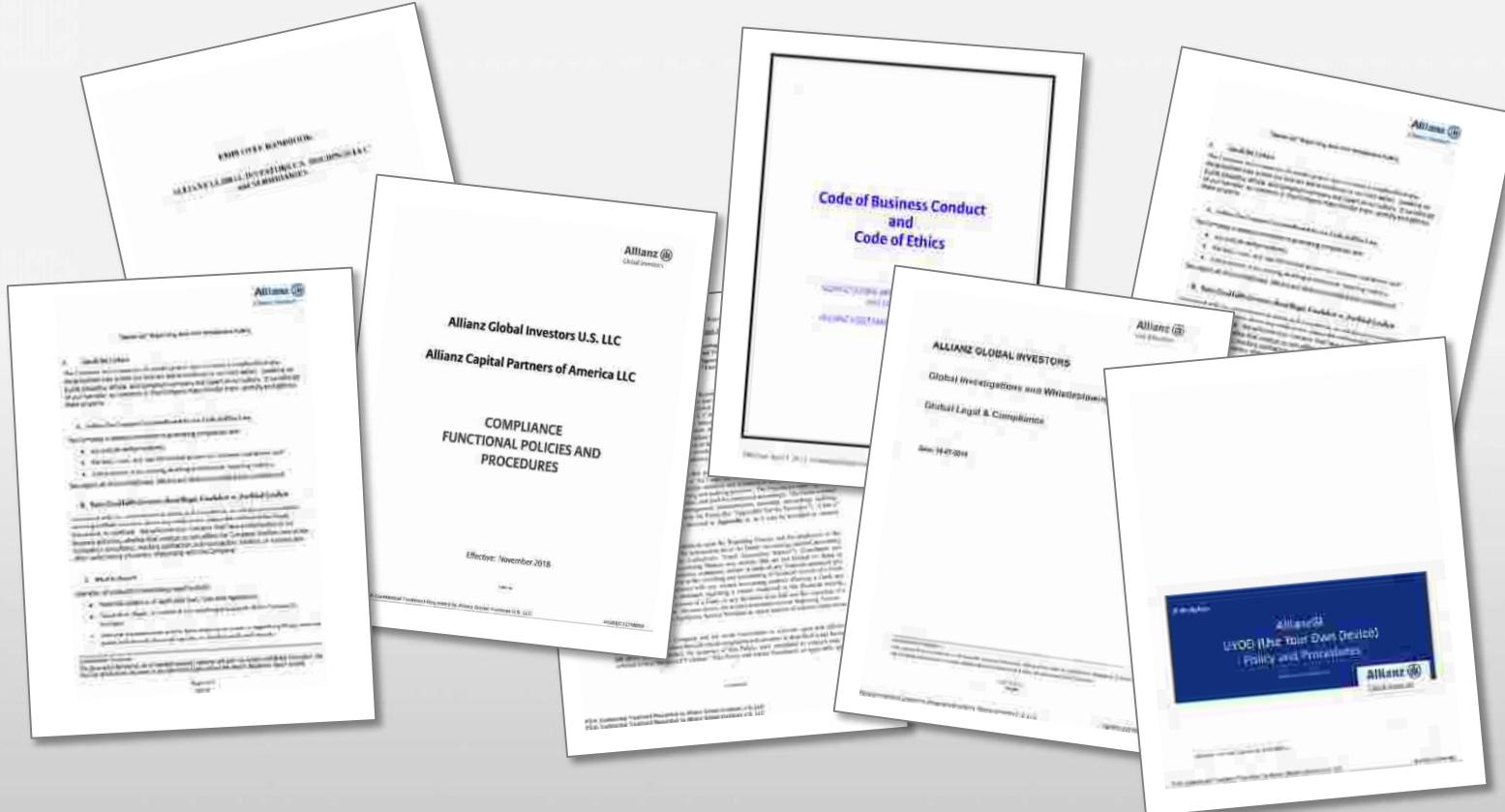
“2. The misconduct occurred only within the small Structured Products Group at AGI US. . . .”



PMs Brought Structured Alpha To AGI US



The PMs Violated Multiple AGI US Policies



The PMs Concealed Their Misconduct

- The PMs manually manipulated computer-generated data
- In many instances, determining whether reports were altered required comparing reports sent to clients to Structured Products Ribbon and PM Access Database



\$ Payoff from Original File	\$ Payoff from Ribbon
(\$468,700)	(\$2,343,502)
(\$433,370)	(\$2,166,852)
(\$398,040)	(\$1,990,202)
(\$362,710)	(\$1,813,551)
(\$327,380)	(\$1,636,901)
(\$296,180)	(\$1,480,900)
(\$275,755)	(\$1,378,775)
(\$255,330)	(\$1,276,649)
(\$234,905)	(\$1,174,523)
(\$214,479)	(\$1,072,397)
(\$194,054)	(\$970,271)
(\$174,955)	(\$874,774)
(\$154,578)	(\$772,890)
(\$133,325)	(\$666,624)
(\$113,678)	(\$568,389)
(\$95,368)	(\$476,840)
(\$78,255)	(\$391,275)
(\$63,359)	(\$316,794)
(\$52,499)	(\$262,496)
(\$39,527)	(\$197,633)
(\$26,554)	(\$132,769)
(\$13,581)	(\$67,905)

Report	Reporting
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10
11	11
12	12
13	13
14	14
15	15
16	16
17	17
18	18
19	19
20	20
21	21
22	22
23	23
24	24
25	25
26	26
27	27
28	28
29	29
30	30
31	31
32	32
33	33
34	34
35	35
36	36
37	37
38	38
39	39
40	40
41	41
42	42
43	43
44	44
45	45
46	46
47	47
48	48
49	49
50	50
51	51
52	52
53	53
54	54
55	55
56	56
57	57
58	58
59	59
60	60
61	61
62	62
63	63
64	64
65	65
66	66
67	67
68	68
69	69
70	70
71	71
72	72
73	73
74	74
75	75
76	76
77	77
78	78
79	79
80	80
81	81
82	82
83	83
84	84
85	85
86	86
87	87
88	88
89	89
90	90
91	91
92	92
93	93
94	94
95	95
96	96
97	97
98	98
99	99
100	100

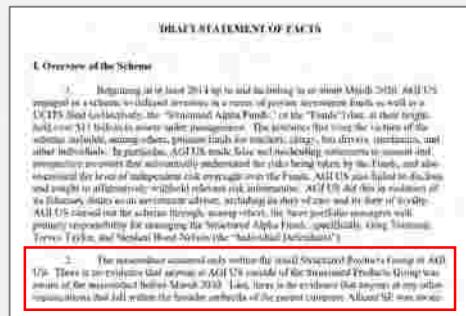
**Greeks of the Structured Alpha 1000
Sent to UPMC by Greg Tournant
Compared to the Structured Ribbon Results**

AllianzGI Structured Alpha 1000 Greeks

Date	Net Delta (%)	Theta (%)	Vega (%)
December 31, 2015	6: 11.30%	0.06; 0.01%	-0.08; -0.05%
January 29, 2016	3: 5.01%	0.06; 0.00%	-0.09; -0.11%
February 29, 2016	7: 1.70%	0.06; 0.00%	-0.12; -0.14%
March 31, 2016	-17: -15.70%	0.07; 0.07%	-0.11; -0.21%
April 29, 2016	4: -10.67%	0.08; 0.10%	-0.12; -0.25%
May 31, 2016	2: 3.58%	0.04; 0.04%	-0.11; -0.11%
June 30, 2016	2: 5.94%	0.00; 0.00%	-0.14; -0.12%
July 29, 2016	-2: -11.63%	0.06; 0.08%	-0.11; -0.22%
August 31, 2016	3: 14.70%	0.08; 0.02%	-0.13; -0.05%
September 30, 2016	36: 17.70%	0.07; 0.05%	-0.12; -0.17%

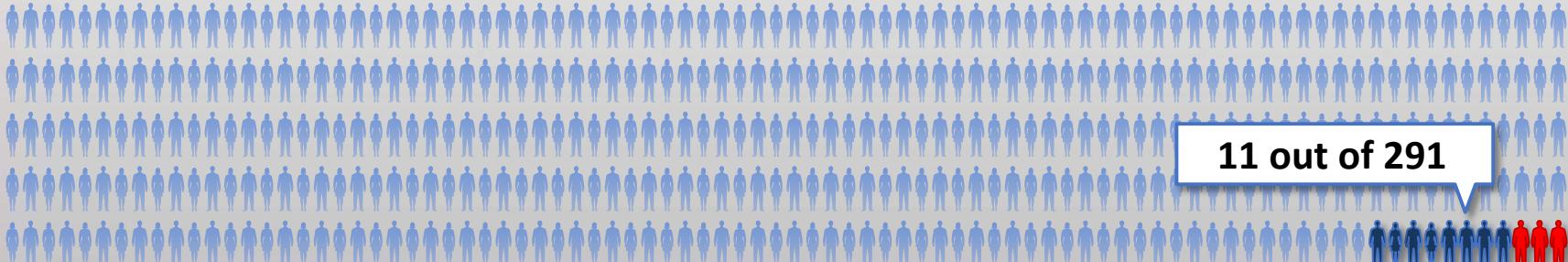
(Prepared by NERA)

No One Outside Of The Structured Products Group Knew of The Misconduct



Draft Statement Of Facts, February 24, 2022

“... There is **no evidence that anyone at AGI US outside of the Structured Products Group was aware of the misconduct before March 2020.** . . .”



II

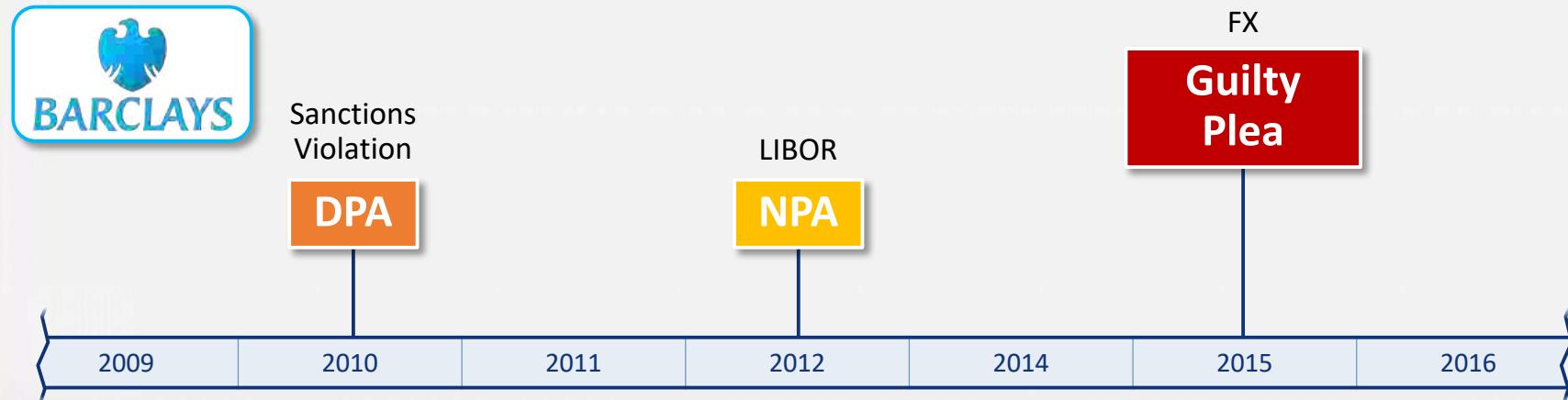
SDNY Should Not Impose A Corporate Death Penalty On AGI US

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

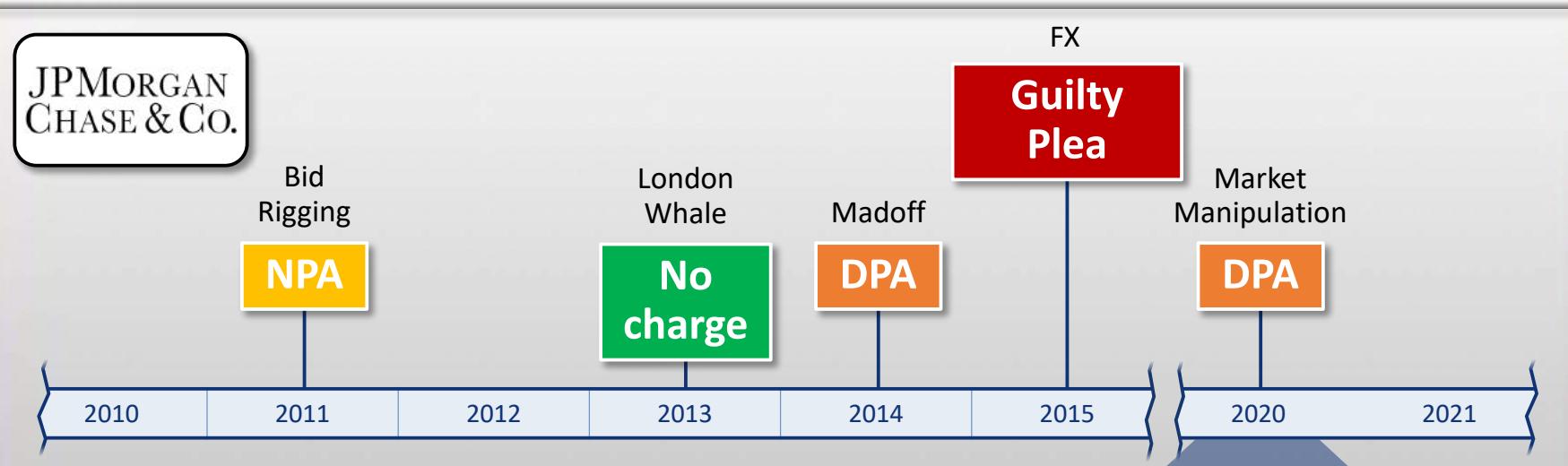


AGI US has
no history of misconduct

Corporate Guilty Pleas Typically Reserved for Recidivists



Corporate Guilty Pleas Typically Reserved for Recidivists



Even after 2015 guilty plea, JPM allowed to enter another DPA in 2020

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

AGI US Does Not Have The Ability To Compensate Investors Or Pay Fines To DOJ Or SEC

AGI US Ability To Pay Questionnaire

Allianz Global Investors U.S. LLC ("AGI US") Inability-to-Pay Questionnaire

1. Recent Cash Flow Projections

- Provide all cash flow projections, including supporting documentation for cash flow projections, created during the past year.

Attached as Annex 2-5 are four spreadsheets displaying AGI US's cash flow projections, created in February, June, September, and November 2021. Attached as Annex 1 is a spreadsheet displaying cash projections through November 2022.

2. Operating Budgets and Projections of Future Profitability

- Provide all operating budgets and projections for the company, prepared within the past year, including all schedules of debt repayments and covenant calculations, for the current year and beyond.

Attached as Annex 6 is AGI US's operating budget for the 2022 fiscal year, including additional projections for the 2023 and 2024 fiscal years.

3. Capital Budgets and Projections of Annual Capital Expenditures

- Provide all capital budgets and/or projections of annual capital expenditures for the company, prepared within the past year, for the current year and beyond.

AGI US does not have a budget or projections of annual capital expenditures, because these expenses would be so minor given that the nature of its business is investment advisory. AGI US did not make any capital expenditures in 2021 and has no current plans to make any capital expenditures in 2022.

4. Proposed Changes in Financing or Capital Structure

- If the company is planning any proposed changes in financing, including debt restructuring, or any proposed changes in capital structure, provide details and all supporting documentation.

Because AGI US does not have the ability to fund settlements relating to the Structured Alpha litigations, AGI US anticipates that Allianz SE will cause Allianz of America, Inc. to cause a contribution to be made, indirectly, through its wholly-owned subsidiaries, to AGI US to fund the \$3.5 billion in civil settlements it has reached with certain plaintiffs and investors relating to the Structured Alpha matters. The settlement payments are due February 28, 2022.

AGI US is not aware of any current plans for capital to be extracted from AGI US, or for AGI US to take out any other loans, other than AGI US continues to have access to a Cash Pooling and Current Account Agreement between Allianz SE and AGI US ("Cash Pooling

FOIA CONFIDENTIAL TREATMENT REQUESTED BY AGI US
Subject to FRE 408 and State Law Analogues

AGI US Audited Financial Statements 2020

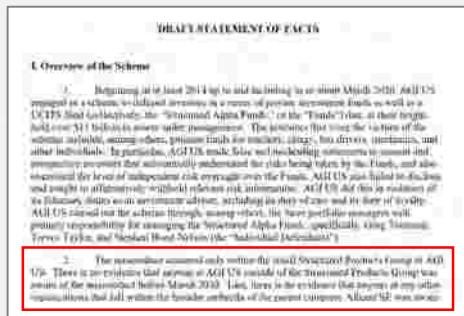
Assets	\$
Current assets:	
Cash and cash equivalents	89,832,346
Investment advisory and administrative fees receivable:	
Pooled funds	20,431,899
Private accounts	36,513,901
Receivables from affiliates	40,277,616
Executive deferred compensation held in trust	25,888,198
Other current assets	10,538,866
Total current assets	<u>223,482,826</u>
Noncurrent assets:	
Goodwill	19,281,995
Fixed assets, net	1,943,190
Investments in affiliated limited partnerships	5,679,551
Executive deferred compensation held in trust	74,261,125
Other noncurrent assets	21,988,720
Total noncurrent assets	<u>123,154,581</u>
Total assets	<u>\$ 346,637,407</u>
Liabilities and Capital	\$
Current liabilities:	
Accrued compensation	121,828,377
Payables to affiliates	46,644,223
Accounts payable and accrued expenses	14,703,452
Executive deferred compensation liability held in trust	25,888,199
Other current liabilities	5,959,537
Total current liabilities	<u>215,023,768</u>
Noncurrent liabilities:	

Total capital **\$ 17,139,299**

Member's capital	17,139,299
Total capital	17,139,299
Total liabilities and capital	<u>\$ 346,637,407</u>

The accompanying notes are an integral part of these special purpose financial statements.

No Other Allianz Entity Was Aware Of The PMs' Misconduct



Draft Statement Of Facts, February 24, 2022

“. . . Last, there is no evidence that anyone at any other organizations that fall within the broader umbrella of the parent company Allianz SE was aware of or participated in the misconduct.”

Allianz SE Has Already Paid \$3.5 Billion To Compensate Over 30 Of The Largest Investors

Bartlit Beck Investors



- AARP
- AARP Employees' Pension Plan
- AARP Foundation
- AARP Insurance Plan



- BCBS Association Federal Employee Program
- BCBS Association Operating
- BCBS of Michigan Employees' Master Retirement Trust
- BCBS of Michigan Foundation
- National Retirement Trust (BCBS)

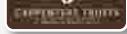


- The Bank of New York Mellon, as Trustee of the Raytheon Master Pension Trust

Bernstein Litowitz Investors



- Arkansas Teacher Retirement System
- Carpenters Trusts of Western Washington
- Christian Brothers Employee Benefit Trust
- Christian Brothers Employee Retirement Plan
- Christian Brothers Services
- Employees' Retirement System of the City of Milwaukee
- General Pension Plan of the International Union of Operating Engineers
- Laborers' Pension Fund
- Ironworkers Mid-America Pension Plan
- Milwaukee Drivers Pension Trust Fund
- Multifund B.V.
- Nederlandia Investments B.V.
- Ohio Operating Engineers Health & Welfare Plan
- Ohio Operating Engineers Pension Fund
- Pension Fund of Cement Masons Union Local No. 502
- Retirement Board of Bert Bell/Pete Rozelle NFL Player Retirement Plan
- San Diego City Employees' Retirement System
- The Ohio State University



Kaplan Fox Investors

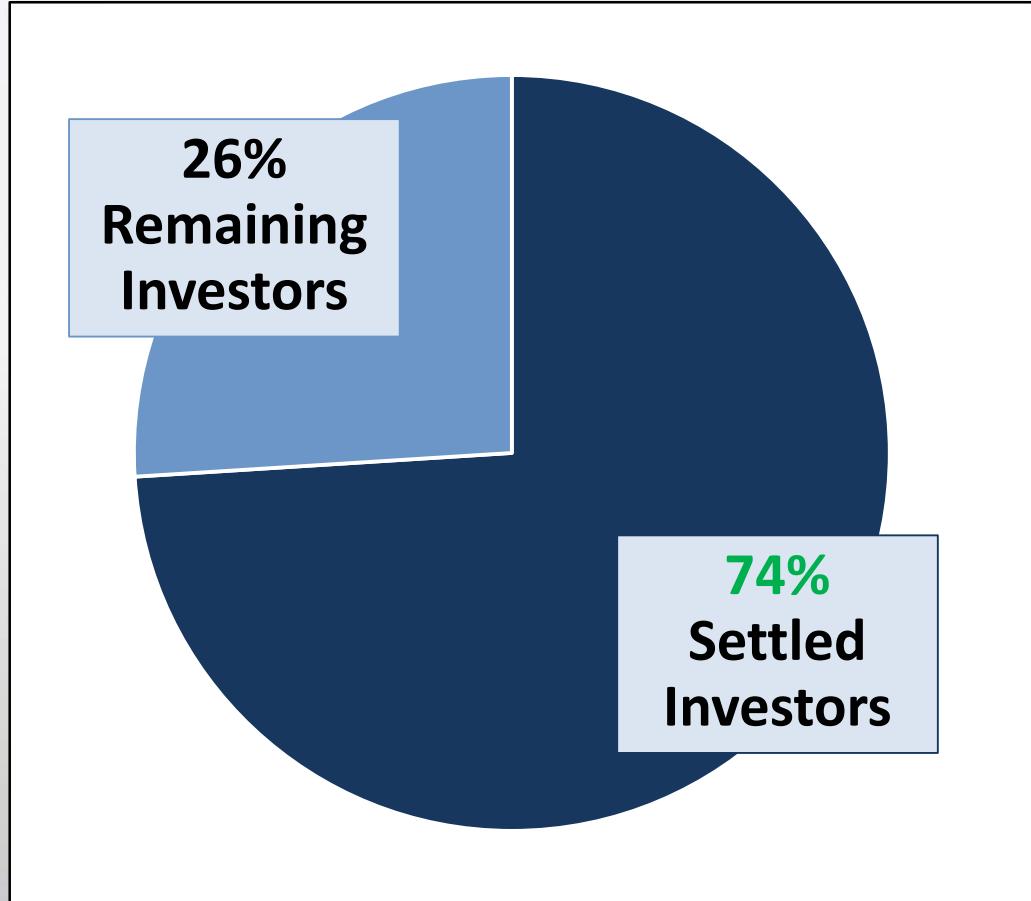


- Chicago Area I.B. of T. Pension Trust Fund
- Local 703 I.B of T., Grocery & Food Employees' Pension Trust



- Texas Treasury Safekeeping Trust Company
- Texas Treasury Safekeeping Trust Company f/b/o Texas Water Development Board

Allianz SE Has Already Paid \$3.5 Billion To Compensate Over 30 Of The Largest Investors



Settlements reached represent **74%** of post-December 2019 losses for all investors.

Allianz SE Has Generously Compensated Investors



Actual Settlement Payment

\$642.9 million

Lost Principal

\$10.7 million

Settlement represents 5,989% of lost principal

Allianz SE Has Generously Compensated Investors



**BlueCross
BlueShield**

Actual Settlement Payment

\$1.49 billion

Lost Principal

\$655.4 million

Settlement represents 228% of lost principal

Allianz SE Has Generously Compensated Investors



Actual Settlement Payment

\$123.4 million

Lost Principal

\$58.1 million

Settlement represents **212%** of lost principal

Allianz SE Has Generously Compensated Investors



Actual Settlement Payment

\$148 million

Lost Principal

\$83.8 million

Settlement represents 177% of lost principal

Allianz SE Has Generously Compensated Investors



Ohio Operating
Engineers Funds

Actual Settlement Payment

\$89.7 million

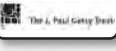
Lost Principal

\$58.7 million

Settlement represents **153%** of lost principal

Allianz SE Currently Plans To Provide Funding For Compensation For Remaining Investors

Allianz SE is engaged in negotiations with remaining investors

	Alaska Laborers-Employers Retirement Fund Trust		Kershaw Health, Inc. Employees' Pension Plan		San Diego County Construction Laborers Pension Fund
	Georgetown Memorial Hospital		Lehigh University		Southeast Georgia Health System, Inc.
	Georgia Stevedore Association - International Longshoremen's Association Pension and Welfare Funds		Manhattan & Bronx Surface Transit Operating Authority (MaBSTOA) Pension Plan		The J. Paul Getty Trust
	Halifax Regional Medical Center Employees' Pension Plan		Marco Consulting Group Trust I		United Food and Commercial Workers Union and Employers Midwest Pension Fund
	I.B.E.W. Local 769 - Management Pension Plan		Metropolitan Transportation Authority (MTA) Retiree Welfare Benefits Plan		University Health Inc.
	IBEW Local No. 38 Pension Fund Pension Plan		MTA Master Trust		University Medical Associates of the Medical University of South Carolina
			Phoenix Health Care Management Services, Inc		Vizient Southern States, Inc

Allianz SE has begun mediation with class plaintiffs

Allianz SE Is Prepared To Pay Fines To DOJ And SEC Only With DPA



Guilty plea will destroy AGI US with an enterprise value of \$2.5 - \$3 billion



Allianz SE can only pay amounts on behalf of AGI US **consistent with its duties** to its shareholders and German corporate governance principles.

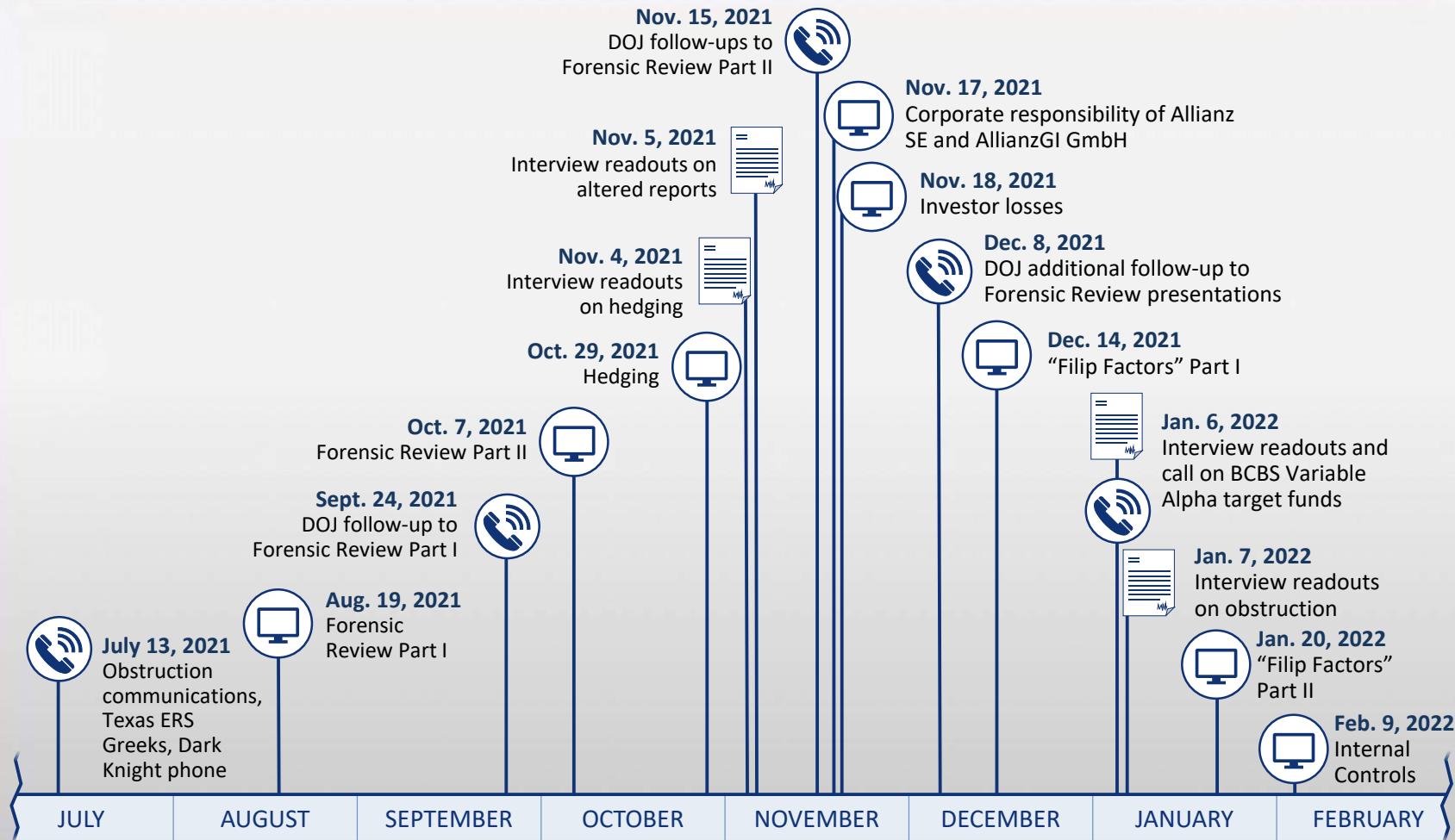
In the event of a guilty plea, Allianz SE may have to **place AGI US into bankruptcy.**

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

AGI US Provided Valuable Cooperation To SDNY



Continuous and proactive cooperation over the last 8 months

AGI US Conducted Resource-Intensive Forensic Review Of Client Reporting Issues To Assist SDNY

S&C and NERA devoted **over 16,700 hours**
to forensic review

Results of AGI US forensic review are
reflected in Statement of Facts



Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



Draft Statement Of Facts, February 24, 2022

“12(b). **Risk Reports:** . . . AGI US employees altered **over 75 risk reports** that went to **six investors** and **four consultants**”

Allianz Global Investors

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

AllianzGI US Structured Alpha Presentation to SDNY

November 18, 2021

SULLIVAN & CROMWELL LLP

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Investors in the Funds as of March 2020 That Received Altered Reports From AllianzGI (cont'd)

Investor Name	Risk Reports	Greeks	Daily Returns	Attribution
U.S. Bank National Association as Directed Trustee for Employees Retirement Plan of Boxx Corporation	0	0	0	0
UBS Switzerland AG / X7272435	0	1 (70.8)	0	0
United Food and Commercial Workers Union and Employers Midwest Pension Fund	0	0	0	0
United Way of Massachusetts Bay Inc.	0	0	0	0
University Health Inc.	0	0	0	0
University Medical Associates at the Medical University of South Carolina	0	0	0	0
UFMC Basic Retirement Plan Master Trust	0	41 (2010-19)	0	0
Verco Corporation Employee Pension Plan	0	0	0	0
Vistra Energy Retirement Plan Master Trust	0	0	0	0
Vivint Southern States, Inc.	0	0	0	0
11 Investors with Altered Reports		27	68	1

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



Draft Statement Of Facts, February 24, 2022

“12(c). **Greeks**: . . . Dozens of altered Greeks were sent to approximately **nine investors** and **six consultants** that advised approximately **35 additional investors**.”

Allianz Global Investors

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

AllianzGI US Structured Alpha Presentation to SDNY

November 18, 2021

SULLIVAN & CROMWELL LLP

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Investors in the Funds as of March 2020 That Received Altered Reports From AllianzGI (cont'd)

Investor Name	Risk Report	Greeks	Daily Returns	Attribution
U.S. Bank National Association as Directed Trustee for Employees Retirement Plan of Boxx Corporation	0	0	0	0
UBS Switzerland AG / X7272435	0	1 (2018)	0	0
United Food and Commercial Workers Union and Employers Midwest Pension Fund	0	0	0	0
United Way of Massachusetts Bay Inc.	0	0	0	0
University Health Inc.	0	0	0	0
University Medical Associates at the Medical University of South Carolina	0	0	0	0
UFMC Basic Retirement Plan Master Trust	0	41 (2018-19)	0	0
Verco Corporation Employee Pension Plan	0	0	0	0
Vistra Energy Retirement Plan Master Trust	0	0	0	0
Vivint Southern States, Inc.	0	0	0	0
11 Investors with Altered Reports		27	68	1

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Case 1:22-cr-00276-LTS Document 55-11 Filed 01/30/23 Page 51 of 115

Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



Draft Statement Of Facts, February 24, 2022

“12(h). **Positions Data:** On at least one occasion, Tournant **manually altered holdings data that was sent to one investor**, including by changing short positions to make them look like long puts, i.e. tail risk hedges.”

The slide features the Allianz Global Investors logo in the top left corner, consisting of the word 'Allianz' in a bold, black, sans-serif font next to a stylized 'Globe' icon, with 'Global Investors' in a smaller font below it. The background is a solid blue. In the top right corner, there is a block of white text that reads: 'FOR CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZ GI US; FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY; SUBJECT TO FEDERAL AND STATE LAW ANALOGIES'. The main title 'AllianzGI US' is centered in a large, bold, black font. Below it, the subtitle 'Structured Alpha' is in a slightly smaller bold font, and 'Presentation to SDNY' is in a bold, black font. At the bottom center, the date 'December 14, 2021' is displayed in a black, italicized font. The bottom of the slide features the text 'SULLIVAN & CROMWELL LLP' in a black, sans-serif font.

PMs' Misconduct Was Difficult To Detect: Greeks

Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



Draft Statement Of Facts, February 24, 2022

“12(f). **Expected Value Sheets:** AGI US employees **changed expected value (‘EV’) sheets** that were shown to investors, so that the potential losses on certain positions appeared smaller”

Allianz 
Global Investors

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

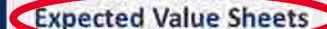
AllianzGI US
Structured Alpha
Presentation to SDNY

December 14, 2021

SULLIVAN & CROMWELL LLP

PMs’ Misconduct Was Difficult To Detect:
Expected Value Sheets

- Tournant and Taylor **modified the EV Sheets to reduce the projected losses.**
- Experts conducted a forensic review of reports that were sent to investors, but EV Sheets were apparently only **projected on a screen during investor meetings.**




22

Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



Draft Statement Of Facts, February 24, 2022

“12(d). **Performance Data:** AGI US employees **altered daily performance data** that went to at least **three investors** by ‘smoothing’ the Funds’ day-to-day response to market downturns.”

Allianz 
Global Investors

FOIA CONFIDENTIAL - TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

AllianzGI US Structured Alpha Presentation to SDNY

November 18, 2021

SULLIVAN & CROMWELL LLP

FOIA CONFIDENTIAL - TREATMENT REQUESTED BY ALLIANZGI US FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Investor Name	Risk Reports	Grecks	Daily Returns	Attribution
Local 702 I.B.P.F.T. Grocery & Food Employees' Pension Trust	0	0	0	0
Local 1754 Pension Fund	0	0	0	0
Local 888 Pension Fund	0	0	0	0
Local Union No. 124 I.B.E.W. Pension Fund	0	0	0	0
Local Union No. 326 I.B.E.W. Open End Pension Trust	0	0	0	0
Manhattan & Bronx Surface Transit Operating Authority (MBSTA) Pension Plan	0	0	0	0
Marco Consulting Group Trust I	0	0	0	0
Mellon Bank, N.A. As Trustee For The UPMC Basic Retirement Plan Master Trust	0	0	0	0
Mellon Bank, N.A. As Trustee For UPMC Master Trust	0	0	0	0
Metropolitan Transportation Authority (MTA) Retiree Welfare Benefits Plan	0	0	0	0
Miami County Medical Center, Inc.	0	0	0	0
MidMichigan Health	0	0	0	0
MidMichigan Health Employees' Pension Plan	0	0	0	0
MidMichigan Health Pension Plan For ARMC Employees	0	0	0	0
Minneapolis Officers Pension Trust Fund	0	0	0	0
MTA Master Trust	0	0	0	0
Mutfund I.P.	17 (2016-20)	0 (2016-20)	4 (2016-17; 2020)	0
National Retirement Trust (Blue Cross Blue Shield)	0	0	0	0

By Requiring Guilty Plea, SDNY Will Disincentivize Corporations from Doing the Right Thing



Allianz SE has **paid billions of dollars** to compensate investors when it had **no legal duty to do so**.

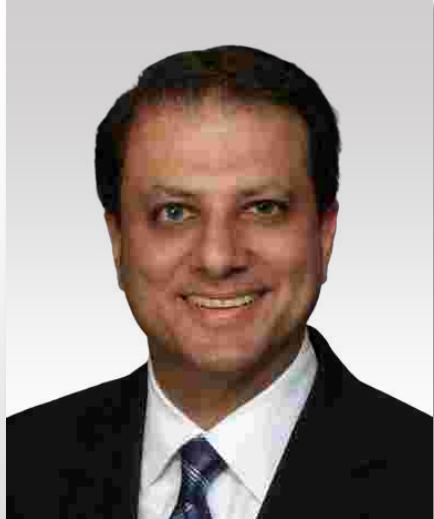


AGI US has provided **valuable cooperation** to SDNY – **above and beyond** what is required by DOJ policy.



AGI US will be unable to continue cooperating effectively in the prosecution of the PMs if AGI US is shut down by a guilty plea.

SDNY Agrees To DPAs In Cases Where Defendants Provide Valuable Cooperation



Preet Bharara

*Former US Attorney
for the Southern
District of New York*

Press Conference Announcing GM DPA, Sept. 17, 2015

“[C]ompanies **should be encouraged** to act as GM did here to **help the truth come out faster, to help victims' families get compensated earlier**, to weed out the bad actors faster, to do everything they can to make sure tragedies like those that unfolded in this case never happen again.”

Allianz SE and AGI US have provided valuable cooperation

[https://www.justice.gov/usao-sdny/video/manhattan-us-attorney-announces-criminal-charges-against-general-motors-and-deferred\)](https://www.justice.gov/usao-sdny/video/manhattan-us-attorney-announces-criminal-charges-against-general-motors-and-deferred))

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

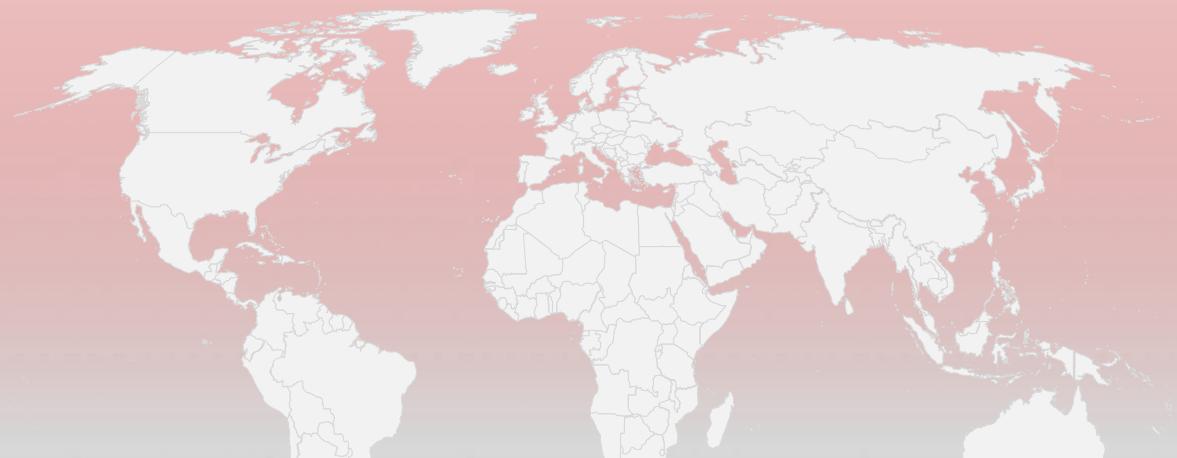
1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

A Guilty Plea By AGI US Will Adversely Impact Investors Who Invest Through Intermediaries And Institutions

Americas: 178
intermediaries/
institutional clients

EMEA: 1,376
intermediaries/
institutional clients

APAC: 276
intermediaries/
institutional clients



Millions of retail investors will be directly affected worldwide as a result of AGI US guilty plea

Guilty Plea Will Cause Mass Exodus Of AGI US Employees, Creating Chaotic Unwind Situation That Will Harm Investors

100% of AGI US employees are at will and can leave upon the entry of a guilty plea

PM Teams

Orphaned funds with no one experienced to manage the \$120 billion in third-party AUM

Risk Management

No one to manage the risk during the volatile markets caused by Russian invasion of Ukraine

Relationship Managers

No one to respond to investor redemption requests

Legal Personnel

No one to handle the wind-down of the funds and respond to requests from foreign regulators in jurisdictions where AGI US advises funds

A Guilty Plea By AGI US Will Adversely Impact Millions Of Investors



Upon entry of a guilty plea, AGI US will have to begin unwinding and liquidating positions in funds with \$120 billion in AUM

During this wind-down period, investors likely will rush to exit the funds creating the risk of investor losses and potential halts on investor withdrawals.

US investors will likely suffer losses during the wind-down process.

A Guilty Plea Will Put 348 US Employees Out Of Work

132 employees

Allianz Global Investors U.S. Holdings LLC

Allianz Global
Investors U.S. LLC

Allianz Capital Partners
of America LLC

Allianz Global Investors
Distributors LLC

186 employees

12 employees

18 employees

Dozens Of “Unskilled” AGI Employees Are Unlikely To Find Equivalent Jobs

Robert G.



Analyst NE

25 years
at AGI

Majivel S.



Assistant

21 years
at AGI

Leticia E.



Office
Administrator

7 years at AGI

Nicholas W.



Document
Specialist

5 years at AGI

Jessica S.



HR Generalist

6 years
at AGI

Vikki R.



Assistant

5 years
at AGI

No involvement in the misconduct

Jane V.



Location
Manager

25 years at AGI

Susan S.



Receptionist

15 years
at AGI

Jimmy S.



Assistant

15 years
at AGI

Allison E.



Assistant

5 years
at AGI

Patrick M.



Analyst NE

21 years
at AGI

Susan B.



Assistant

15 years
at AGI

A Guilty Plea By AGI US Would Cause Substantial Job Losses Globally

**348 jobs
lost in US**



**~100 jobs
lost in Europe**



**~300 jobs
lost in Asia**



**Over 700 jobs lost worldwide
as a result of AGI US guilty plea**

A Guilty Plea Will Destabilize Germany's Largest Financial Institution In A Time Of Global Turmoil



REUTERS

LIVE MARKETS Germany's DAX faces worst day since COVID-19 crash

THE WALL STREET JOURNAL

Russian Invasion Scrambles Prospects for Global Economy



REUTERS

Global finance grapples with Ukraine crisis as shares slump

The New York Times

Stocks and Energy Markets Whipsaw After Russian Attack on Ukraine

THE WALL STREET JOURNAL

Ukraine War Means Another Supply Shock to Global Economy, the Last Thing It Needs



REUTERS

Markets brace for heavy falls as Russia-Ukraine crisis escalates

<https://www.reuters.com/markets/stocks/live-markets-germany-dax-faces-worst-day-since-covid-19-crash-2022-02-24/>; <https://www.nytimes.com/2022/02/24/business/economy/stock-market-today.html>; <https://www.reuters.com/markets/europe/european-finance-reacts-ukraine-conflict-with-emergency-plans-bond-freezes-2022-02-24/>; <https://www.wsj.com/articles/ukraine-war-means-another-supply-shock-to-global-economy-the-last-thing-it-needs-11645785001>; <https://www.wsj.com/articles/russian-invasion-scrambles-prospects-for-global-economy-11645699066#:~:text=Russia's%20invasion%20of%20Ukraine%20heated,ands%20its%20allies%20have%20promised.>; <https://www.reuters.com/markets/europe/markets-brace-heavy-falls-russia-ukraine-crisis-escalates-2022-02-21/>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Following AGI US Guilty Plea, Innocent Affiliates Will Face Heightened Scrutiny From Clients And Potential Clients



Representative RFP Questions

“**List any** current or historical civil or **criminal proceeding** or investigations against the firm, a principal or key employee of the firm, or **any affiliate of the firm.**”

“**Has** the firm, its **affiliates**, any of its investment vehicles or its principals been **subject to:** any threatened or pending litigation; **criminal**, civil or administrative **proceedings** . . . ? **If yes, explain** and attach supporting documentation.”

A Guilty Plea Would Be A “Corporate Death Penalty” For AGI US



Mary Jo White

*Former US Attorney for
The Southern District
Of New York*

Corporate Crime Reporter Interview, December 12, 2005

“[E]very prosecutor, certainly if they are doing their job right, is very **concerned about the impact on the innocent employees or shareholders**, if you bring a corporate charge.”

Interview by Corporate Crime Reporter with Mary Jo White, Partner, Debevoise & Plimpton LLP (Dec. 12, 2005), available at <http://www.corporatecrimereporter.com/maryjowhiteinterview010806.htm>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

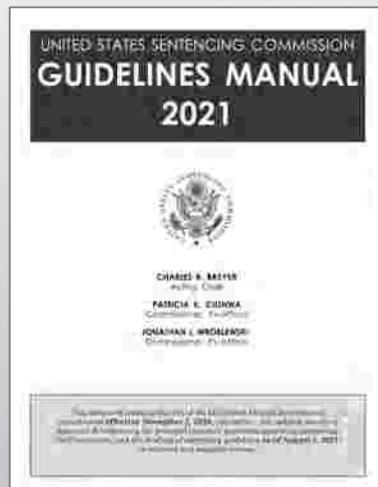
1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

Failure To Detect Misconduct Does Not Warrant A Guilty Plea



U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated June 2020)

“[I]t is important to note that **the existence of misconduct does not, by itself, mean that a compliance program did not work or was ineffective** at the time of the offense.”



United States Sentencing Commission Guidelines Manual, §8B2.1(a) Effective Compliance and Ethics Program (2021)

“The **failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective** in preventing and detecting criminal conduct.”

<https://www.justice.gov/criminal-fraud/page/file/937501/download>; <https://guidelines.ussc.gov/gl/§8B2.1>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Compliance Program Requirements:

Rule 206(4)-7 Under The Investment Advisers Act

Rule 206(4)-7, 17 C.F.R. § 275.206(4)-7



“(a) **Policies and procedures**. Adopt and implement written policies and procedures **reasonably designed to prevent violation**, by you and your supervised persons, of the Act and the rules that the Commission has adopted under the Act;

(b) **Annual review**. Review, no less frequently than annually, the **adequacy of the policies and procedures** established pursuant to this section and the effectiveness of their implementation; and

(c) **Chief compliance officer**. Designate an individual (who is a supervised person) responsible for administering the policies and procedures that you adopt under paragraph (a) of this section.”

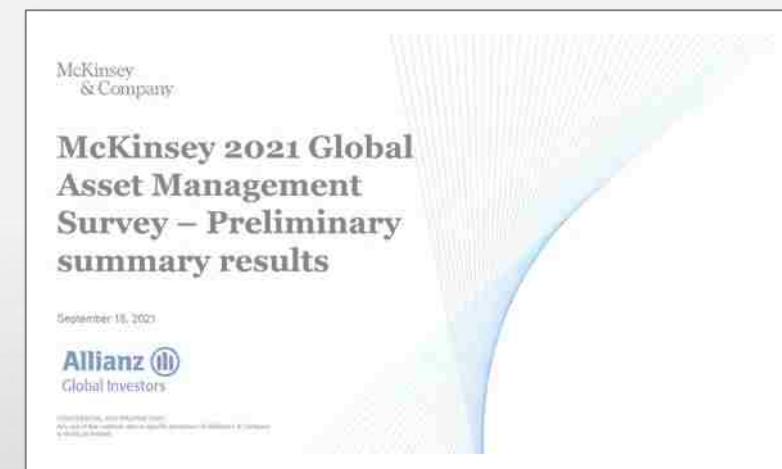


Legal & Compliance Was Adequately Resourced

**McKinsey Benchmarking:
AllianzGI spend on Legal &
Compliance exceeds industry
peers based on operating cost
margin.**

- Average global annual budget for Legal & Compliance from 2016 to 2021 was **\$36.5 million**

**McKinsey 2021 Global Asset
Management Survey: Preliminary
Summary Results**



Peers include:



Schroders



McKinsey 2021 Global Asset Management Survey - Preliminary summary results, at 5.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

PwC Consistently Found That AGI US's Controls Were Suitably Designed



2018, 2019, and 2020 PwC Reports on AGI US's Controls

“In our opinion . . .

- the **controls** related to the control objectives . . . **were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively** throughout the period November 4, 2019 to October 31, 2020 and subservice organizations and user entities applied the complementary controls.”

"Report on AllianzGI US' Description of Its Investment Adviser System and on the Suitability of the Design and Operating Effectiveness of Controls throughout the period November 4, 2019 - October 31, 2020, at 7."

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Compliance Acts With Independent “Authority and Stature”

DOJ Guidance

Compliance

“[S]ufficient seniority within the organization”

- Run by **Chief Compliance Officer** with over 30 years of experience in compliance and internal audit

“[S]ufficient resources, namely, staff to effectively undertake the requisite auditing, documentation, and analysis”

- Staffed by **14 US employees**
- Benchmarking shows global spend on Compliance **exceeds industry peers**
- Actively monitors trading through daily reporting and imposition of pre-approval requirements

“[S]ufficient autonomy from management”

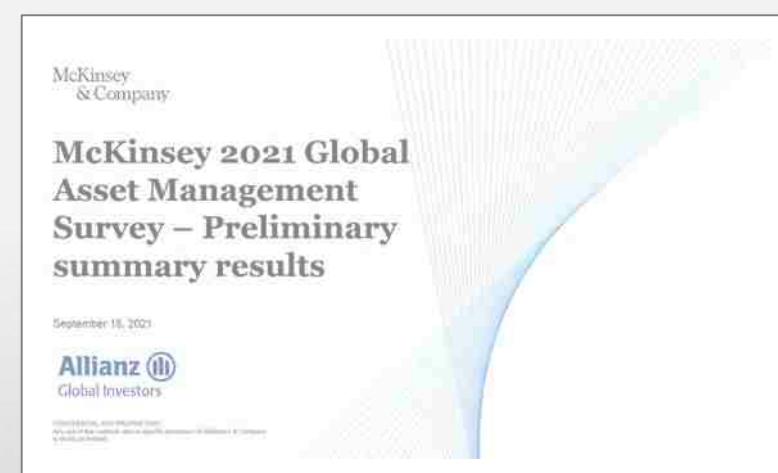
- Access to Legal, Compliance and Risk Committee
- No reporting lines to business**
- Compensation not dependent on business**

Enterprise Risk Management (ERM) Was Adequately Resourced

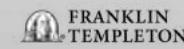
**McKinsey Benchmarking:
AllianzGI spend on ERM
exceeds industry peers based
on operating cost margin.**

- Average global annual budget for ERM from 2016-2021 was **\$14.9 million**

McKinsey 2021 Global Asset Management Survey: Preliminary Summary Results



Peers include:



McKinsey 2021 Global Asset Management Survey - Preliminary summary results, at 5.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

ERM Was Independent



Draft Statement Of Facts, February 24, 2022

“18. . . the risk function was not truly independent.”

- ERM did not report to PMs
- ERM’s compensation was not tied to performance of any portfolio
- Data for ERM analyses sourced from back office or custodial bank
- ERM did not rely on models generated by investment teams

ERM Acts With Independent “Authority and Stature”

DOJ Guidance

“[S]ufficient seniority within the organization”

“[S]ufficient resources, namely, staff to effectively undertake the requisite auditing, documentation, and analysis”

“[S]ufficient autonomy from management”

ERM

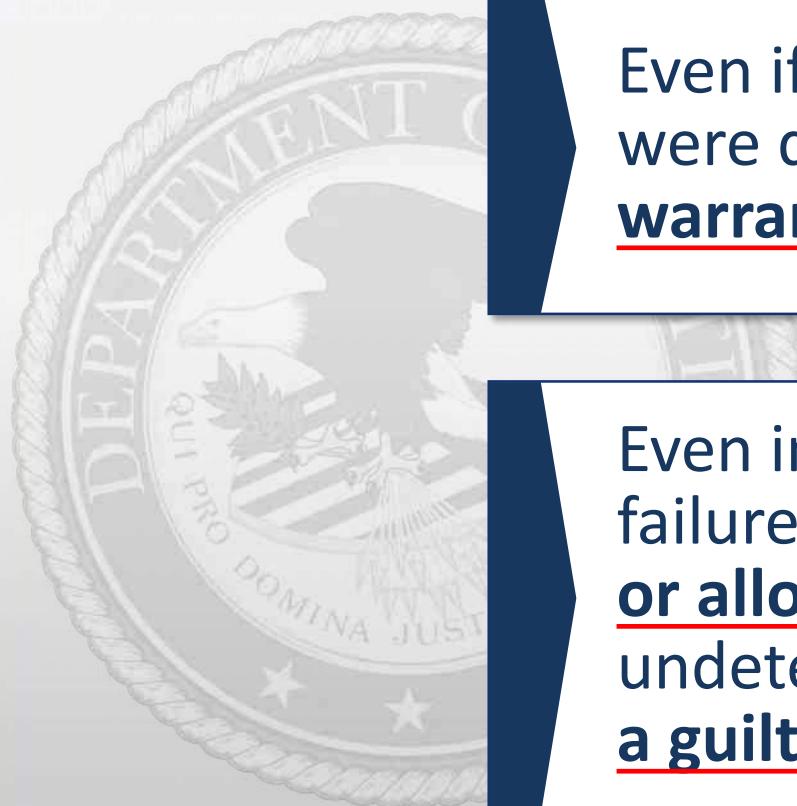
- Run by **US Head Of Risk** with over 20 years of experience in risk management
- Staffed by **5 US employees** and supported by **European risk team**
- Benchmarking shows global spend on ERM **exceeds industry peers**
- Actively monitors stress tests, VaR, and other risk metrics
- Access to Legal, Compliance and Risk Committee
- **No reporting lines to business**
- **Compensation not dependent on business**

II

SDNY Should Not Impose A Corporate Death Penalty On AGI US

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

SDNY Has Never Required A Guilty Plea Based On Deficient Internal Controls



Even if AGI US's internal controls were deficient, that still would not warrant a guilty plea here.

Even in cases where control failures contributed to the fraud or allowed the fraud to continue undetected, SDNY did not require a guilty plea.

SDNY Practice Is To Resolves Cases With Significant Control Failures Without Entity-Level Guilty Plea

	Regulator Charges Entity With Control Failures	SDNY Charges Individual	SDNY Entity- Level Guilty Plea
JPMorgan “London Whale”			
JPMorgan “Madoff”			
Visium Asset Management			
Deerfield Management Company			
Morgan Stanley Smith Barney			
Herbalife			

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

NO CHARGE

JPMORGAN CHASE & CO. (“London Whale”)

2013

SEC found JPM had “**woefully deficient**”
controls, “**insufficiently supervised**” traders and
“**did not adequately document**” policies.

<https://www.sec.gov/news/press-release/2013-187>; <https://www.sec.gov/litigation/admin/2013/34-70458.pdf>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

NO CHARGE



2016

SEC found “Visium **failed to enforce policies and procedures** reasonably designed to prevent the misuse of [MNPI].”

<https://www.sec.gov/litigation/admin/2018/33-10494.pdf>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

NO CHARGE

Morgan Stanley
Smith Barney

2017

SEC found Morgan Stanley “**failed to have reasonably designed policies and procedures in place to prevent its advisory representatives from misusing or misappropriating funds.**”

<https://www.sec.gov/news/press-release/2018-124>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

DPA



2020

SEC found “[Herbalife] **failed to detect and prevent** improper payments and benefits and the falsified expense reports.”

<https://www.sec.gov/news/press-release/2020-197>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“17. [N]either ERM nor any other independent entity was tasked with **monitoring whether AGI US was adhering to its representations to investors** in the management of the Funds.”

NO CHARGE



2016

SEC found “Visium **failed to update or revise** its valuation-related disclosures to reflect its actual practices.”

<https://www.sec.gov/litigation/admin/2018/33-10494.pdf>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“19. Although [the 2017] audit identified red flags that, if pursued, might have led to identification of the fraud, **no meaningful follow up was conduct[ed].**”

NO CHARGE

JPMORGAN CHASE & CO. (“London Whale”)

2013

SEC found that “[S]enior management . . . **failed to timely escalate** and share [troubling] information with the firm’s audit committee.”

<https://www.sec.gov/news/press-release/2013-187>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“19. Although [the 2017] audit identified red flags that, if pursued, might have led to identification of the fraud, **no meaningful follow up was conduct[ed].**”

DPA

JPMORGAN CHASE & CO. (“Madoff”)

2014

“While the suspicions . . . led to JPMorgan’s own redemptions . . . **JPMorgan never looked into Madoff.**”

SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“19. Although [the 2017] audit identified red flags that, if pursued, might have led to identification of the fraud, **no meaningful follow up was conduct[ed].**”

DPA



2018

“The **conduct continued despite the ongoing awareness of SG’s Group Compliance.**”

III

SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor

1. SDNY's deterrence objectives can be fully satisfied by (i) the imposition of a significant fine and (ii) prosecuting the PMs
2. A three-year monitor will ensure an appropriate control environment
3. The institution of a strict liability enforcement regime for investment advisers would undermine long-term prosecutorial objectives

DPA Will Achieve The Enforcement Objective Of Deterrence



Lisa Monaco

Deputy Attorney General

Keynote Address at National Institute on White Collar Crime, October 28, 2021

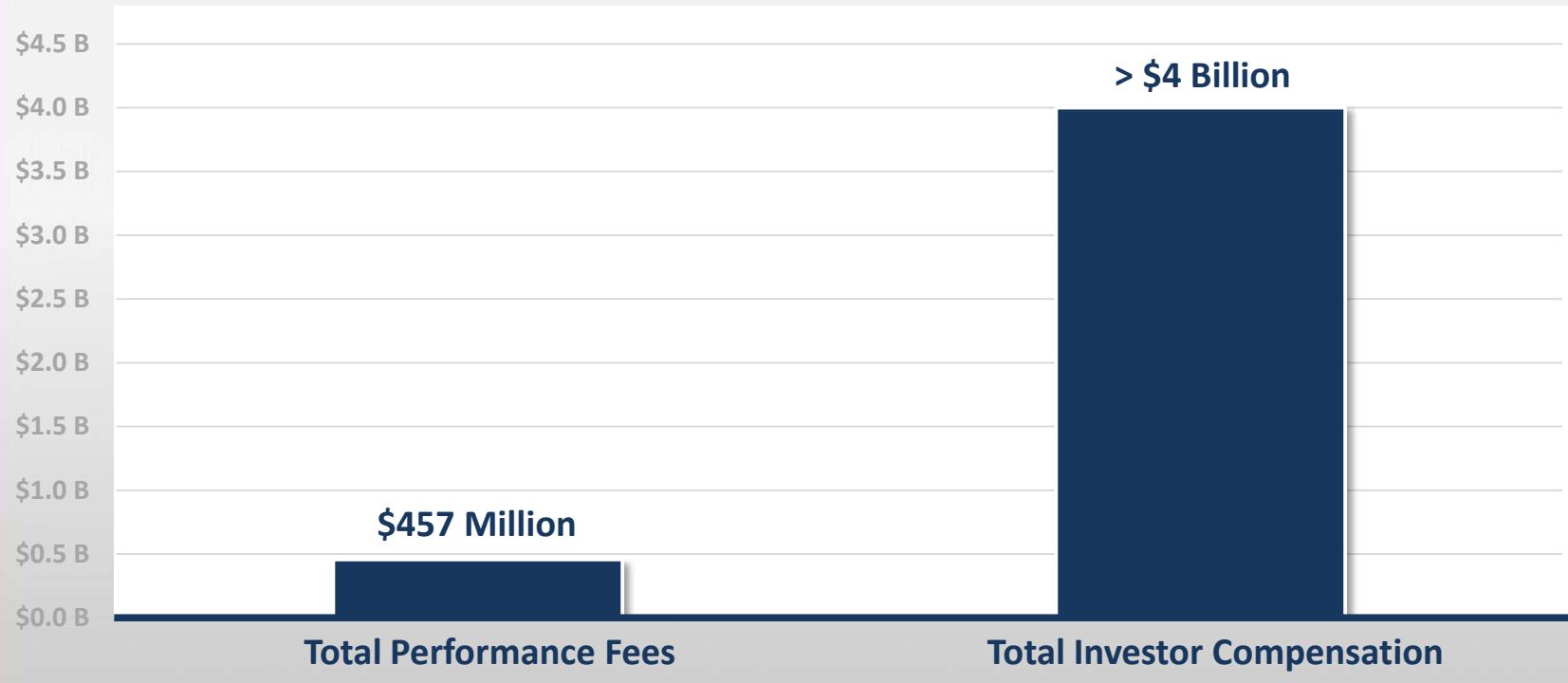
“DPAs and NPAs are not a free pass, and there will be serious consequences for violating their terms.”

AGI US Earned \$457 Million In Performance Fees From Structured Alpha From 2015-2019



Allianz SE Will Pay Up To **10 Times** The Total Performance Fees Earned On Structured Alpha To Compensate Investors

Allianz SE has already paid \$3.5 billion to investors and anticipates paying another \$500 million - \$1 billion to remaining investors.



Paying 10 times profits achieves substantial deterrence

\$3.5 Billion Already Paid Ranks This As The Third Largest Civil Settlement Ever

ISS SCAS

TOP 100 SETTLEMENTS AS OF 31 DECEMBER 2020

THE TOP
U.S. CIVIL
SETTLEMENTS
ALL-TIME

RANK	COMPANY NAME	COURT	SETTLEMENT YEAR	TOTAL SETTLEMENT AMOUNT
1	Enron Corp.	S.D. Tex.	2010	\$7,242,000,000
2	WorldCom, Inc.	S.D.N.Y.	2012	\$6,194,100,714
3	Cendant Corp.	D. N.J.	2000	\$3,319,350,000
4	Tyco International, Ltd.	D. N.H.	2007	\$3,200,000,000
5	Petroleo Brasileiro S.A. - Petrobras	S.D.N.Y.	2018	\$3,000,000,000
6	AOL Time Warner, Inc.	S.D.N.Y.	2006	\$2,500,000,000
7	Bank of America Corporation	S.D.N.Y.	2013	\$2,425,000,000
8	Household International, Inc.	N.D. Ill.	2016	\$1,575,000,000

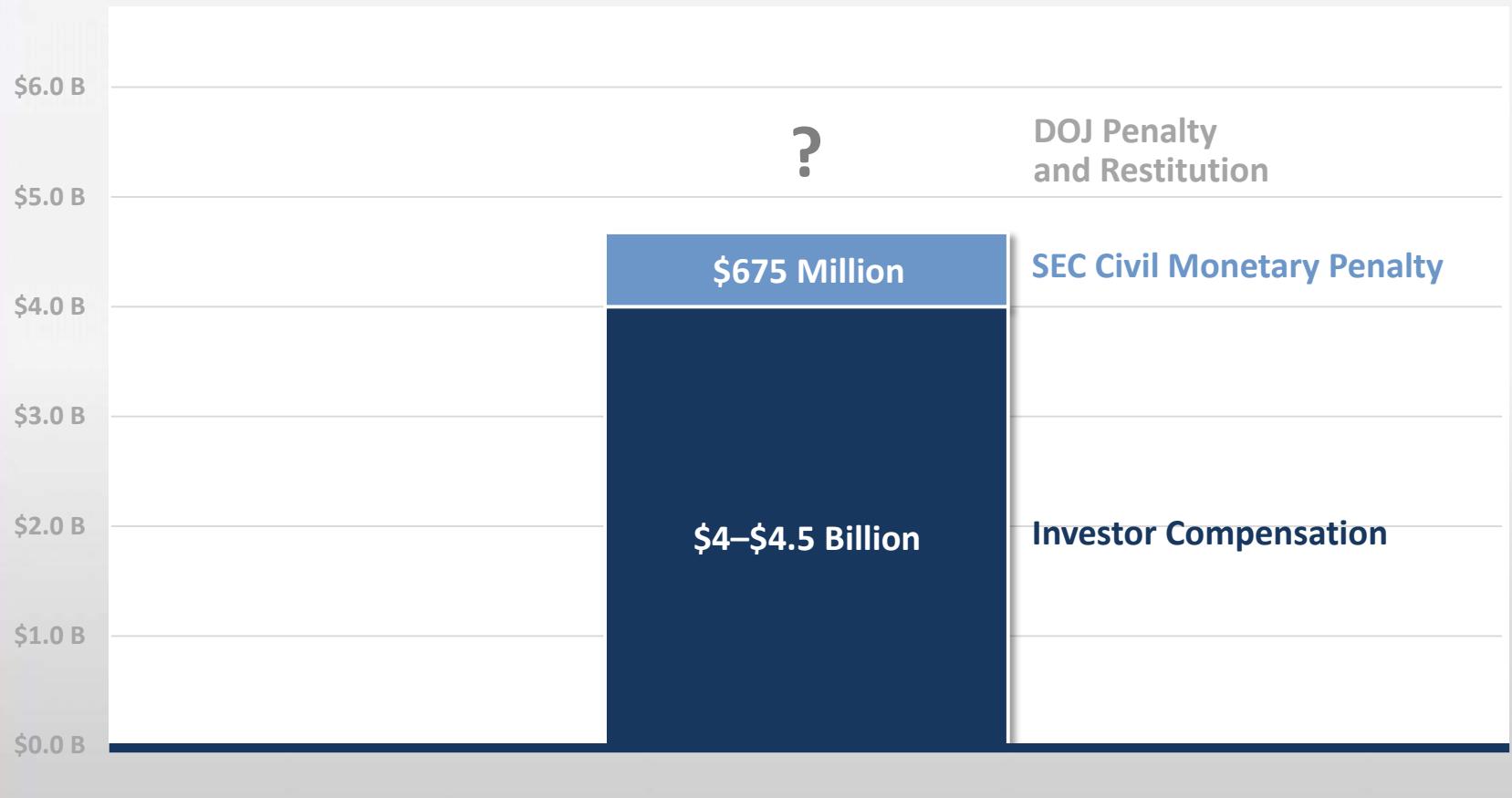
AGI US
#3

Allianz SE expects final resolution with all investors will be **\$4 billion+**

<https://www.issgovernance.com/library/the-top-100-us-settlements-of-all-time-december-2020/>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

Allianz SE Will Pay More Than \$5 Billion For Global Resolution With A DPA

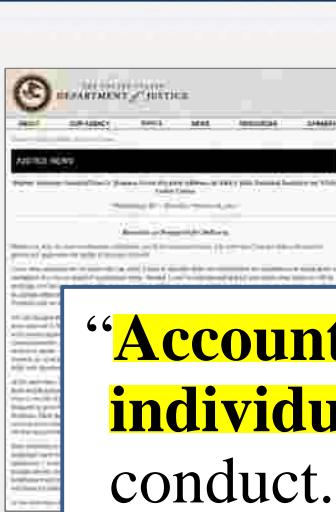


A DPA resolution of this magnitude achieves substantial deterrence

A Guilty Plea Is Unnecessary Because DOJ Action Against Individuals Will Satisfy The Goals Of Federal Prosecution



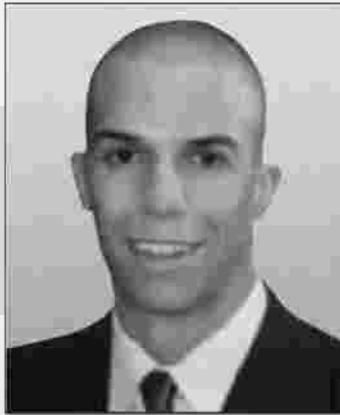
Lisa Monaco
Deputy Attorney General



Keynote Address at National Institute on White Collar Crime, October 28, 2021

"Accountability starts with the individuals responsible for criminal conduct. Attorney General Garland has made clear it is unambiguously this **department's first priority in corporate criminal matters to prosecute the individuals** who commit and profit from corporate malfeasance."

A Guilty Plea Is Unnecessary Because DOJ Action Against Individuals Will Satisfy The Goals Of Federal Prosecution



DOJ will have a **strong case against the wrongdoers**,
in part due to **AGI US's cooperation**

III

SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor

1. SDNY's deterrence objectives can be fully satisfied by (i) the imposition of a significant fine and (ii) prosecuting the PMs
2. A three-year monitor will ensure an appropriate control environment
3. The institution of a strict liability enforcement regime for investment advisers would undermine long-term prosecutorial objectives

DPAs Foster Controls Enhancements And Remediation



Lisa Monaco

*Deputy Attorney
General*

Keynote Address at National Institute on White Collar Crime, October 28, 2021

“[T]he **purpose of pretrial diversion** [NPAs and **DPAs**]. . . is after all to give a break to corporations in exchange for **their promise to fix what ails them**, as well as to **recognize a company’s cooperation**.”

If It Survives With A DPA, AGI US Is Committed To Controls Enhancements And Remediation

- ▶ 3-year monitor
- ▶ Hired new Chief Risk Officer at AllianzGI
- ▶ Will hire Global Head Of Compliance at AllianzGI
- ▶ New end-to-end platform for review and approval of client communications
- ▶ Review of client communications by subject matter experts
- ▶ Enhanced email surveillance

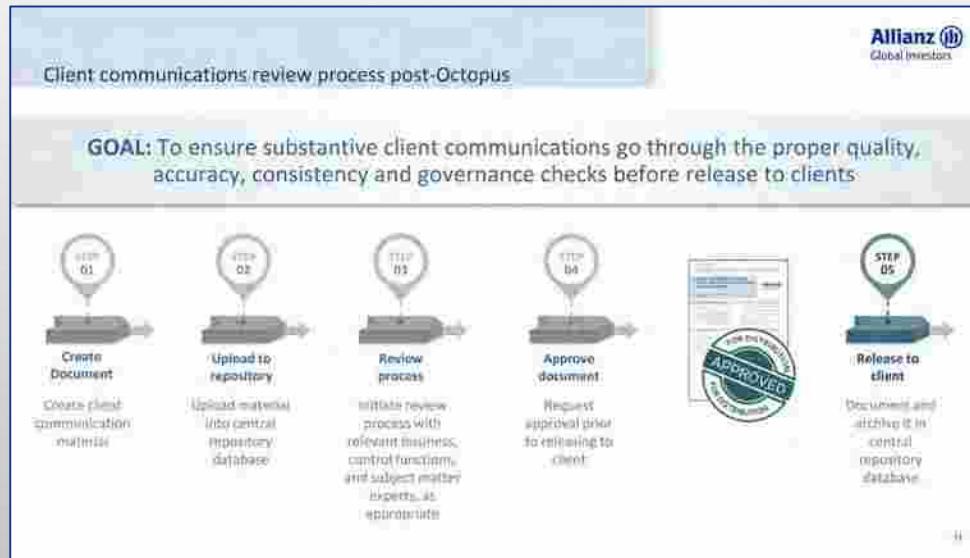
AGI US Is Implementing Project Octopus To Enhance Review & Approval Of Client Communications



Draft Statement Of Facts, February 24, 2022

“16. Further, client reporting and communications with existing clients about existing products were not reviewed at all by Compliance.”

Control Functions Presentation, February 9, 2022



III

SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor

1. SDNY's deterrence objectives can be fully satisfied by (i) the imposition of a significant fine and (ii) prosecuting the PMs
2. A three-year monitor will ensure an appropriate control environment
3. The institution of a strict liability enforcement regime for investment advisers would undermine long-term prosecutorial objectives

DPA Is “The Tool” That Allows For **Calibrated Enforcement** In Corporate Criminal Cases



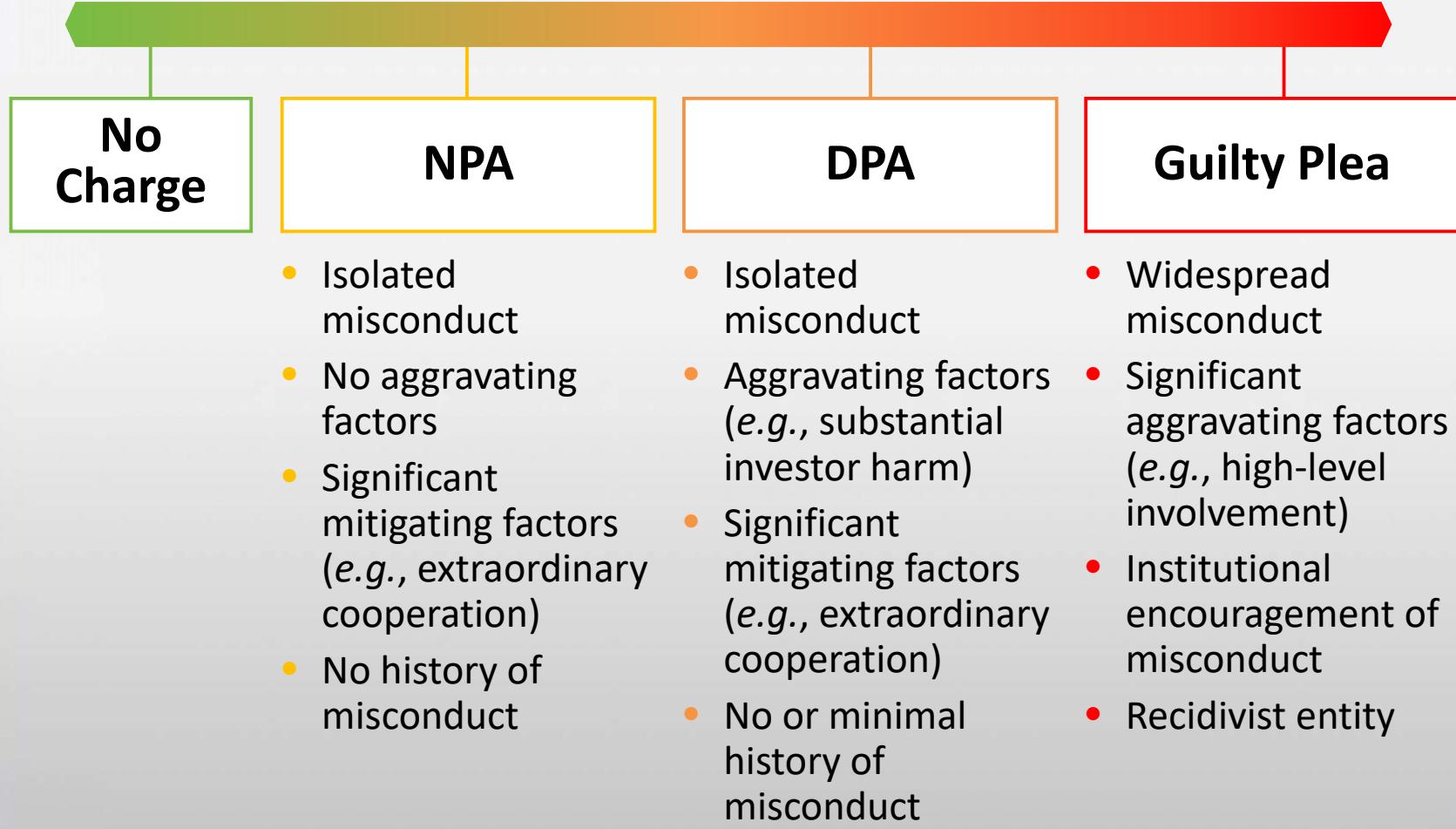
Mary Jo White

*Former US Attorney for
The Southern District
Of New York*

Corporate Crime Reporter Interview, December 12, 2005

“**You saw the collateral consequences coming to roost in [Arthur] Andersen.** The Justice Department realized in very concrete stark terms – do I really want these kinds of consequences. Are we really serving the public interest? **And so, the tool [of a DPA] is available to them . . .**”

DPA Allows For Calibrated Enforcement In Corporate Criminal Cases

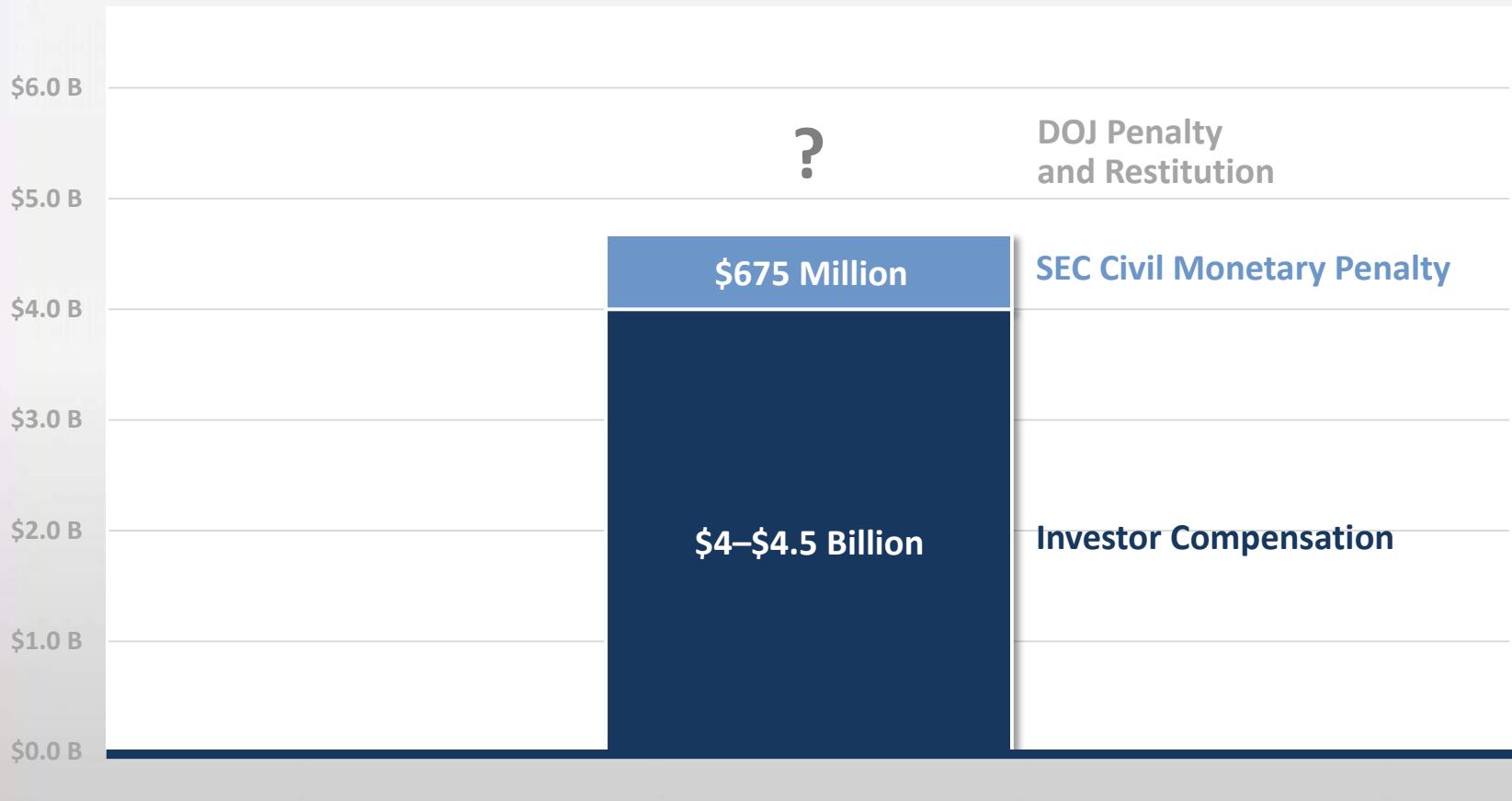


IV

A DPA Is The Right Path Forward

1. **Under a DPA, Allianz SE is prepared to fund significant fines to the DOJ and SEC and to continue to fund settlements with investors**
2. **A DPA will avoid requiring a corporate death penalty for any criminal conduct in an investment adviser**
3. **A DPA is supported by SDNY precedent**

Allianz SE Will Pay More Than \$5 Billion For Global Resolution With A DPA



A DPA resolution of this magnitude achieves substantial deterrence

Allianz SE Is Prepared To Pay Fines To DOJ And SEC Only With DPA



Guilty plea will destroy AGI US with an enterprise value of \$2.5 - \$3 billion



Allianz SE can only pay amounts on behalf of AGI US **consistent with its duties** to its shareholders and German corporate governance principles.

In the event of a guilty plea, Allianz SE may have to **place AGI US into bankruptcy.**

IV

A DPA Is The Right Path Forward

1. Under a DPA, Allianz SE is prepared to fund significant fines to the DOJ and SEC and to continue to fund settlements with investors
2. A DPA will avoid requiring a corporate death penalty for any criminal conduct in an investment adviser
3. A DPA is supported by SDNY precedent

The Misconduct Was Committed By Only A Small Group of Rogue Employees

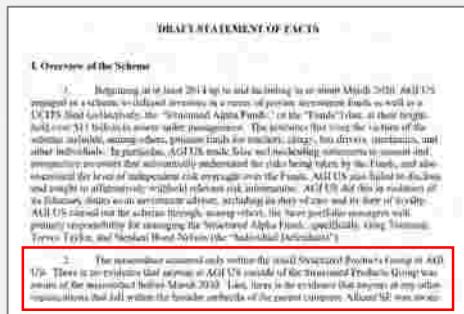


Draft Statement Of Facts, February 24, 2022

“2. The misconduct occurred only within the small Structured Products Group at AGI US. . . .”

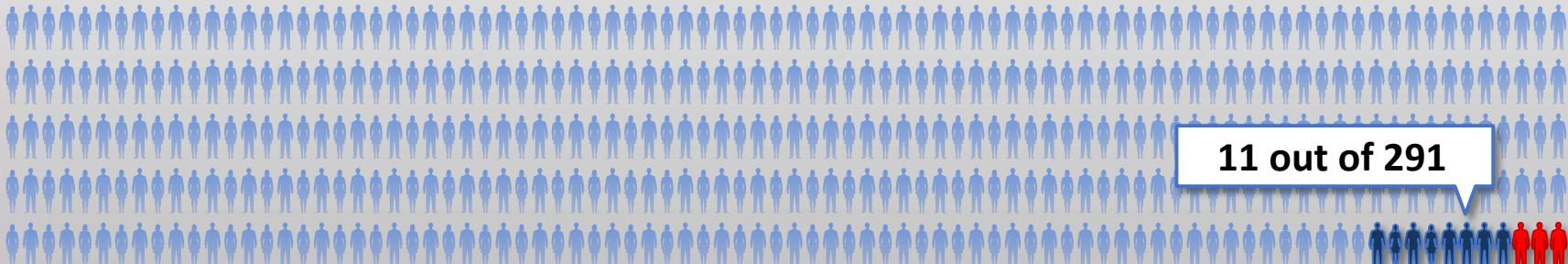


No One Outside Of The Structured Products Group Knew of The PMs' Misconduct

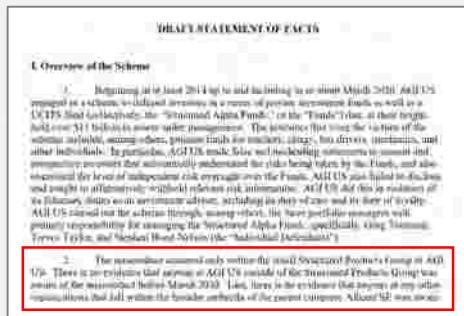


Draft Statement Of Facts, February 24, 2022

“... There is **no evidence that anyone at AGI US outside of the Structured Products Group was aware of the misconduct before March 2020.** . . .”



No Other Allianz Entity Was Aware Of The PMs' Misconduct



Draft Statement Of Facts, February 24, 2022

“. . . Last, there is **no evidence that anyone at any other organizations that fall within the broader umbrella of the parent company Allianz SE was aware of or participated in the misconduct.**”

A corporate death penalty based on the misconduct of three PMs will:

1. Put over 700 people out of work globally
2. Cause chaos for investors in Allianz funds during wind-down
3. Harm innocent US affiliates, including PIMCO and Allianz Life of America
4. Render AGI US unable to continue cooperating in the prosecution of the PMs and disincentivize cooperation in future cases
5. Establish unworkable precedent for future cases involving large investment advisers

IV

A DPA Is The Right Path Forward

1. Under a DPA, Allianz SE is prepared to fund significant fines to the DOJ and SEC and to continue to fund settlements with investors
2. A DPA will avoid requiring a corporate death penalty for any criminal conduct in an investment adviser
3. A DPA is supported by SDNY precedent

SDNY Would **Not** Be Treating “Like Cases Alike” By Imposing A Death Penalty On AGI US



Merrick Garland

*US Attorney
General*

**Remarks at Investiture Ceremony,
Nov 19, 2021**

“Upholding the rule of law
requires that we adhere to
the norms that have been
part of the DNA of every
DOJ employee. . . those
norms require that we
treat like cases alike.”

Except For SAC Capital, SDNY Has Consistently Resolved Cases Involving Investment Advisers Without Requiring A Guilty Plea

	SEC Individual Charges	SEC Entity- Level Charges	SDNY Individual Charges	SDNY Entity- Level Charge
FF Fund Management	✓	✓	✓	
International Investment Group	✓	✓	✓	
Premium Point Investments	✓	✓	✓	
Deerfield Management Company	✓	✓	✓	
Sentinel Growth Fund Management	✓	✓	✓	
Morgan Stanley Smith Barney	✓	✓	✓	
Weston Capital Asset Management	✓	✓	✓	
Visium Asset Management	✓	✓	✓	
Artis Capital Management	✓	✓	✓	

SDNY Has Never Required A Guilty Plea Based On Deficient Internal Controls

JPMORGAN CHASE & CO. (Madoff)

2014

- JPMorgan's **control failures permitted the Madoff scheme to continue**, costing investors **\$20 billion in lost principal**.
- "JPMorgan **connected the dots when it mattered to its own profit**" and **withdrew approx. \$300 million** from Madoff feeder funds "but was **not so diligent otherwise**" and **failed to notify its own customers** of the fraud.
- Compliance officers "never looked into Madoff," and "**did very little to investigate** [] **suspicions**, **failed to raise** [] **concerns** with the bank's anti-money laundering department, and failed to file [SARs]."

**Despite JPMorgan's repeated control failures,
SDNY resolved the matter through a DPA**

<https://www.justice.gov/archive/usao/nys/pressreleases/August13/MartinArtajoandJulienGroutComplaintsPR.php>; <https://www.sec.gov/news/press-release/2013-187>; <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-filing-criminal>; <https://www.bloomberg.com/graphics/2018-recovering-madoff-money/>.

SDNY Has Entered Into DPAs In Cases Involving Serious Misconduct Leading To Fatalities

2014 DPA



- Unintended-acceleration problem, which in one instance “**killed a family of four.**”
- Even though it knew about the defect, Toyota canceled plans to implement a design change to **hide the flaw** from U.S. regulators.
- Later claimed to have addressed the fatal defect while **continuing to allow faulty pedals to be installed** in new vehicles.

2015 DPA



- Lethal safety defect caused at least “**a total of 15 deaths**, as well as a number of serious injuries.”
- Engaged in a **scheme to conceal** from its U.S. regulator a **deadly safety defect** causing airbag non-deployment.
- **Misled consumers about cars' safety**, saying “the Defective Switch posed no safety concern. . .”

Toyota Motor Corporation Deferred Prosecution Agreement Ex. C, Statement of Facts ¶¶ 2-3, 9 (Mar. 19, 2014); <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-criminal-charges-against-general-motors-and-deferred>.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

SDNY Has Recently Entered Into DPAs In Corporate Cases Involving Serious Misconduct

2018 DPA



- “[O]perated the [AML] program ‘on the cheap’ by restricting headcount and other compliance resources, and then imposed hard caps on the number of transactions subject to AML review in order to create the appearance that the program was operating properly.”
- Failed to detect and investigate a large number of suspicious transactions.
- Deliberately concealed wrongful approach from the OCC.

2020 DPA



- Herbalife and its high-level executives “approved the extensive and systematic corrupt payments to Chinese government officials over a 10-year period to promote and expand Herbalife’s business in China. . .”
- Conspired to “improperly influenc[e] certain Chinese state-owned and state-controlled media. . .”
- Herbalife “failed to detect and prevent improper payments and benefits and falsified expense reports.”

<https://www.justice.gov/usaos-dnny/pr/manhattan-us-attorney-announces-criminal-charges-against-us-bancorp-violations-bank>;
<https://www.justice.gov/usaos-dnny/pr/herbalife-agrees-pay-123-million-resolve-foreign-corrupt-practices-act-case>;
<https://www.sec.gov/news/press-release/2020-197>.

A DPA will best accomplish SDNY's enforcement objectives:

1. Significant DOJ and SEC fines, coupled with \$4 billion in payments to investors, all paid by Allianz SE, will achieve substantial deterrence.
2. Avoid severe collateral consequences for innocent employees, investors and affiliates.
3. Allow AGI US to continue to cooperate in the ongoing prosecutions of PMs and reflect AGI US's exemplary cooperation to date.
4. Permit rehabilitation of AGI US with the imposition of a three-year monitor.
5. Follow SDNY precedent and avoid establishing a new corporate death penalty regime whenever isolated wrongdoing occurs in investment advisers.